

Message Text

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C O N F I D E N T I A L STATE 143746

EXDIS

E.O. 11652: GDS

TAGS: EAID, EGEN, USEGJC

SUBJECT: REVISED GOE STATEMENT RE EGYPT'S FINANCIAL
ASSISTANCE REQUIREMENTS

REF: (A) CAIRO 6033; (B) CAIRO 5912; (C) CAIRO 5913;
(D) CAIRO 5980; (E) STATE 133630

1. SUMMARY: WE AGREE THAT EFFECT OF GOE STATEMENT AS
REDRAFTED PER REF A WOULD BE COUNTERPRODUCTIVE,
PARTICULARLY IF GOE STATED OR IMPLIED THAT IT REPRESENTED
AGREED GOE-USG VIEW OF EGYPT'S EMERGENCY FINANCIAL AID
REQUIREMENTS. CONSEQUENTLY, WE WISH TO TERMINATE WITHOUT
ILL FEELINGS OUR EFFORT TO REACH AGREED POSITION ON
EGYPT'S AID NEED AND ITS SELF-HELP UNDERTAKINGS. WE WILL
CONTINUE, HOWEVER, EFFORTS TO RAISE FROM COUNTRIES
ALREADY APPROACHED A SUBSTANTIAL PACKAGE OF IMPORT-
FINANCING AID ON CONCESSIONAL TERMS
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WHILE GOE SEEKS THIS PLUS
ADDITIONAL AMOUNTS FROM ARAB SOURCES FOR LIQUIDATING ITS
FOREIGN COMMERCIAL BANK DEBTS. OUR TARGET OF RAISING
\$ 1 BILLION FROM ORIGINAL LIST OF CONTRIBUTORS FOR CY-1975

ADDITIONAL IMPORT FINANCING WOULD REMAIN UNCHANGED.

2. REDRAFTED STATEMENT WOULD BE COUNTERPRODUCTIVE FROM BOTH GOE AND USG VIEWPOINTS. GOE, BY ANNOUNCING SUCH PADDED AND UNATTAINABLE "EMERGENCY" AID TARGET, WOULD RISK DEFEATING ITS OWN PURPOSE OF BUILDING INTERNATIONAL AND DOMESTIC CONFIDENCE IN EGYPT'S FINANCIAL POSITION BECAUSE TOTAL AID OBTAINED WOULD FALL SUBSTANTIALLY SHORT OF GOAL. USG, BY ACCEDING TO OR ENDORSING SUCH TARGET, WOULD MAKE USG CONTRIBUTION OF ONE-FOURTEENTH OF TOTAL LOOK MEAGER TO EGYPTIAN PUBLIC AND ARAB GOVERNMENTS. FURTHERMORE, USG APPROVAL OF GOE'S PROGRAM, WHICH IS DEVOID OF CONCRETE SELF-HELP UNDERTAKINGS, WOULD IMPLY ACCEPTANCE OF EVIDENT EGYPTIAN INTENTION TO INCREASE, RATHER THAN MOVE TOWARD REDUCTION, OF AID-FINANCED IMPORT-DEPENDENCE. THIS WOULD BE SEEN BY IBRD AND IMF AS RECKLESS UNDERMINING OF THEIR EFFORTS.

3. REDRAFTED STATEMENT, BY FAILING TO SUBTRACT FROM BOP GAP THE SAVINGS FROM DEFERRAL OF OFFICIAL DEBT SERVICE AND FROM CAPITAL ACCOUNT DEFICIT-OVERSTATEMENT, PADS NET IMPORT-FINANCING GAP BY AT LEAST 200 MILLION EGYPTIAN POUNDS. STATEMENT THAT GOE SEEKS FULL RETIREMENT OF 700 MILLION POUNDS COMMERCIAL BANK DEBT BY END OF CY-1975 EXCEEDS GREATLY THE AMBITIOUS GOAL MENTIONED BY ABU ISMAIL AND STATED IN EGYPTIAN APPROACHES TO ARABS, THAT IS, UP TO 500 MILLION POUNDS OF REFINANCING. THESE TWO ELEMENTS OF PADDING INDICATE GOE HOPE TO USE EMERGENCY CY-1975 AID CAMPAIGN TO STOCKPILE AT LEAST 400 MILLION POUNDS FOR CY-1976 USES. THIS IS UNDERSTANDABLE GOE OBJECTIVE, BUT IT IS NOT BASIS ON WHICH USG AGREED TO EMERGENCY ASSISTANCE AND SOUGHT GENEROUS, URGENT ACTION BY OTHER GOVERNMENTS.

4. IN SETTING ASIDE EFFORT TO AGREE ON STATEMENT, EMBASSY SHOULD NOTE THAT USG WILL CONTINUE TO TRY TO OBTAIN FROM CONGRESS FUNDS TO PERMIT COMPLETION OF CONFIDENTIAL

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FY-1976 PORTIONS OF ADDITIONAL CY-1975 US ASSISTANCE OF \$250 MILLION FOR EGYPTIAN IMPORT-FINANCING AND WILL GO AHEAD IN JUNE WITH FIRST TRANCHE OF THIS PROGRAM -- AID CIP LOAN FROM FY-1975 FUNDS. HOWEVER, IT SHOULD AGAIN BE STRESSED THAT PREMATURE GOE ANNOUNCEMENT OR LEAK OF \$250 MILLION FIGURE WOULD BE TROUBLESOME BECAUSE ADMINISTRATION'S CONSULTATIONS WITH CONGRESS ON FY-1976 MIDDLE EASTERN AID PROGRAMS HAVE BEEN DEFERRED FOR AT LEAST SEVERAL WEEKS. INGERSOLL

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